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American Theatre

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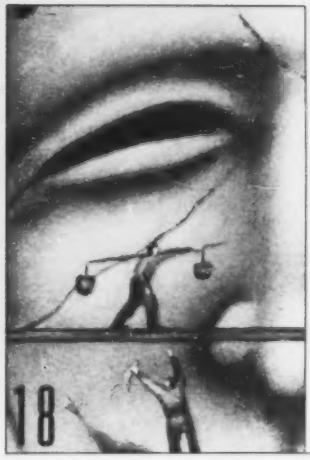

Cover Photo: Théâtre du Soleil's production of *The Golden Age*, directed by Ariane Mnouchkine. Photo by Martine Franck/Magnum.

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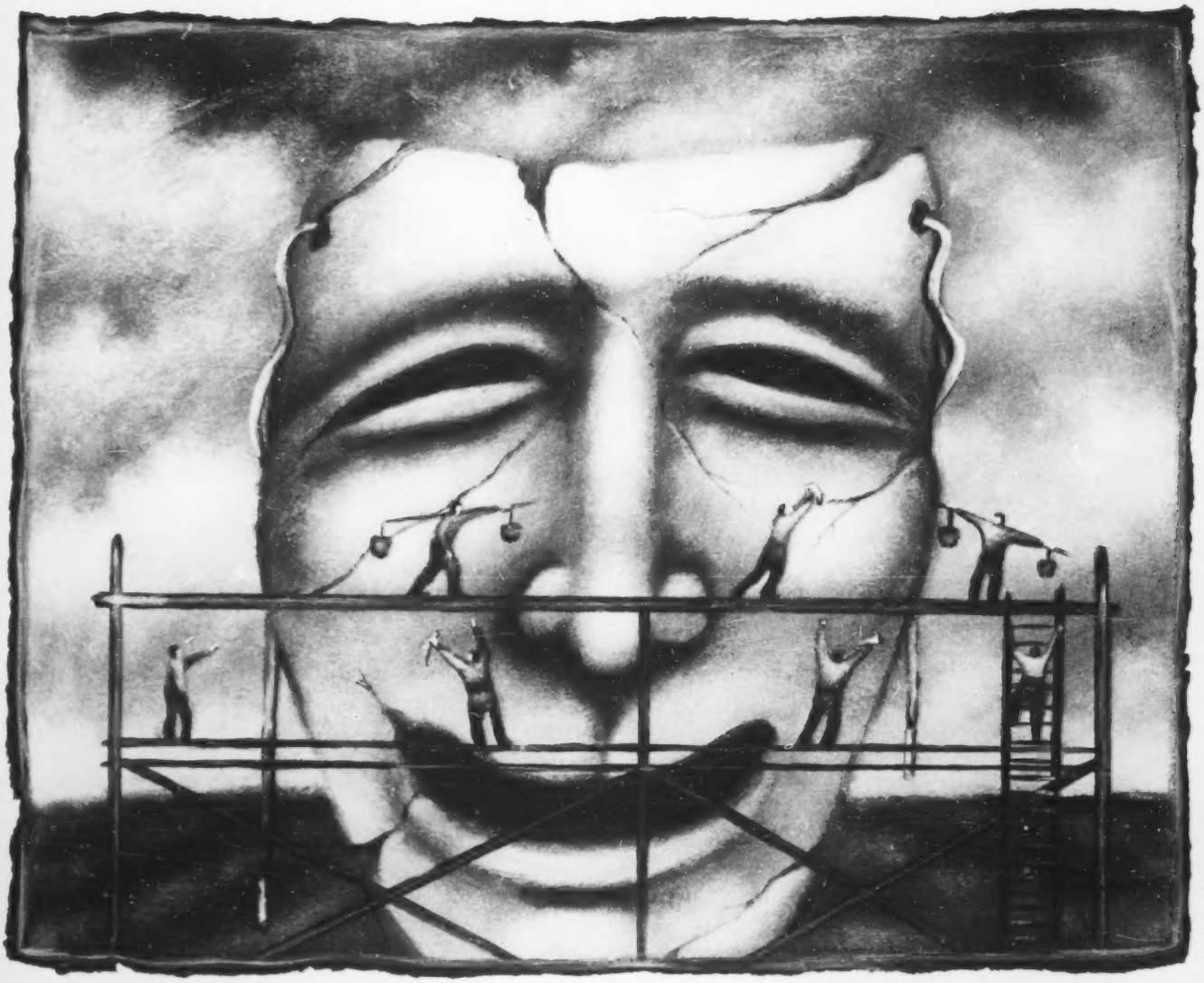


Illustration by Warren Gebert

SPECIAL REPORT

THEATRE FACTS 85

Nonprofit theatres are poised on a tightrope between growing deficits and artistic possibilities, according to the latest TCG national survey.

BY ROBERT HOLLEY

More than half of the nation's nonprofit professional theatres ended the 1984-85 season with deficits, according to *Theatre Facts 85*, the 12th annual survey of finances and productivity just released by Theatre Communications Group.

The 217 participating theatres—located in 107 cities in 41 states and the District of Columbia—played to an audience of more than 14.2 million and collectively spent more than $239 million presenting 52,341 performances of 2,710 productions. Earnings and contributions fell short of meeting expenses, leaving a collective operating deficit at season's end of more than $4.5 million.

"A national move to consolidation is going to place more of our artistic eggs in fewer baskets," says William P. Wingate, executive managing director of the Center Theatre Group/Mark Taper Forum in Los Angeles. "It will be very painful. By the end of the decade, we're going to see a number of theatres merging to serve a common geographical area, and in other cases, we may well see a number of theatre institutions cease operation."

Since 1980, extraordinary changes in the nation's economy—fueled by two recessionary cycles, a drastic re-ordering of government spending priorities, and a federal debt clearly out of control—have radically altered the American philanthropic agenda.

As a result, the intense competition for available charitable dollars; rising fund-raising, marketing and personnel expenses; and the earnings limitations characteristic of the performing arts have produced a growing caution in programming choices. This trend could ultimately be at odds with an art form celebrated for its ability to take risks and to challenge the imagination.

Growing deficits, slower growth in earnings and erratic patterns in contributed income have many leaders in the nonprofit professional theatre concerned about the future vitality of their efforts. "You can create theatre with any amount of money," observes Roche Schulfer, producer of Chicago's Goodman Theatre, "but quality is directly related to available resources. It looks as though five years from now, there will not be enough money to allow artistic development to flourish. There is no indication contributions will rise the way they must in order to keep us expanding. Artistic deficits are real," he concludes, "and the prospect of sustaining an institution where people can mature professionally and artistically is meeting more and more obstacles. We're finding it increasingly difficult to hire really good people with the money we have available."

In addition to overall findings for the 217 participating theatres, the TCG survey includes a five-year trend analysis for a sample group of 37 larger theatres across the country. Their budgets ranged from $1 million to $8.4 million during 1985, and together they are responsible for nearly half of all financial activity of the 217 reporting theatres.

Operating expenses for the 37 sample theatres increased 11 percent over the previous year, well ahead of the 3.7 percent inflation rate. However, earnings increased only 8 percent and paid for just under two-thirds of the season's expenses. Although total attendance and subscriptions reached a five-year high, the 1985 increase in earnings is the smallest annual growth seen in the past five seasons. The "earnings gap" which resulted—that portion of expenses which must be met with public and private contributions—was 15 percent greater than in the previous year.

Seeking to narrow the widening earnings gap, many theatres are considering options which can enhance earnings opportunities. "We're close to the top of the arc of ticket prices," stresses Arena Stage managing director William Stewart, "and the economy is limiting growth in contributions which would further offset expenses. As a result, we're looking to generate additional income through booked-in events, but those, too, are becoming more difficult to make profitable. In our case, that means operating year-round, maximizing the use of our facilities and, hopefully, coming out ahead."

Box Office

The growth that did take place in 1985 earnings is due primarily to a 12 percent increase in box office income, the combined result of strong ticket sales and higher prices. Ticket sales now account for 80 percent of all earnings—compared to just over 72 percent five years ago.

Total attendance at resident productions has grown nearly 7 percent since the 1980-81 season, but average ticket prices have increased much faster, 63 and 66 percent respectively, for the top-priced subscription or single seat. The comparative growth rates exemplify the central financial dilemma faced by performing arts institutions: A fixed number of available seats limits potential audience expansion. For established institutions playing at or near capacity, price increases are virtually the only means available to increase box office earnings.

Subscription income grew 16 percent—three times faster than single-ticket income—during 1985 as many companies intensified sales efforts and adjusted the cost of top-priced subscription tickets upward by an average of nearly 11 percent. The average cost of a subscription seat now ranges from $7.25 to $16.55 (compared to the 1981 range of $3.95 to $10.15).

Income from single-ticket sales increased only 6 percent during 1985, despite increases of between 8 and 13 percent in non-discounted single-ticket prices. Depending on day and seating location, average single-ticket prices now range from $9.80 to $19.30 (compared to the 1981 range of $6.10 to $11.60). The time-honored sales technique—"Five

SURVEY UNIVERSE

217 THEATRES IN 1985

PRODUCTIVITY

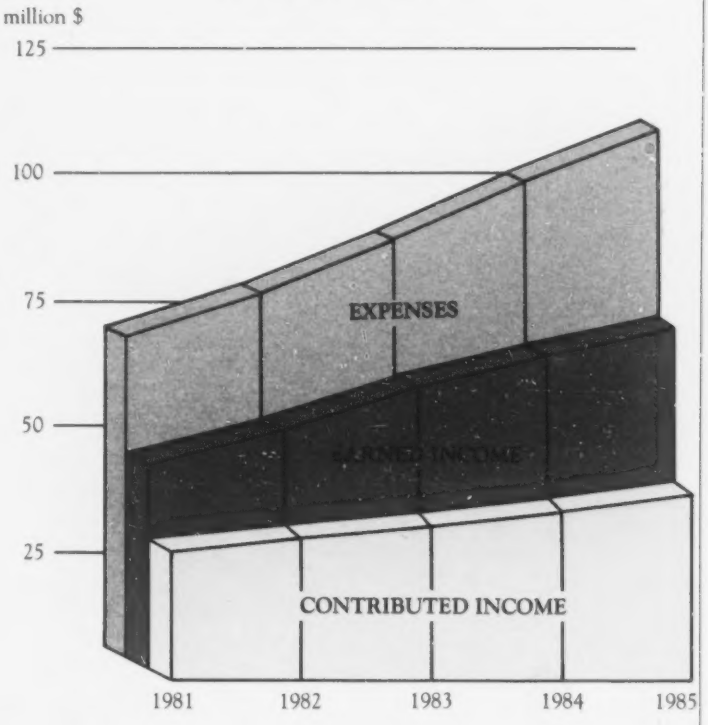
Attendance	14,240,867
Subscribers	1,040,365
Performances	52,341
Productions	2,710

FINANCES

Earned Income	$146,129,266
Earnings Gap	−$ 93,210,873
Contributed Income	$ 88,618,479
Total Income	$234,747,745
Total Expenses	$239,340,139
Deficit	−$ 4,592,394

COMPARISON: EXPENSES TO EARNED AND CONTRIBUTED INCOME

37 Sample Theatres



Percent Change	81–82	82–83	83–84	84–85
Expenses	13.0	14.9	11.8	10.6
Earned Income	13.8	16.4	12.1	8.2
Contributed Income	10.4	9.3	11.2	12.6

plays for the price of four!"—remains the standard approach to subscription audience development, but the higher cost of the bargain raises questions about the future profile of the nonprofit theatre audience.

"We're increasingly concerned that our ticket prices are limiting the scope of our audience," continues Stewart, "and we're looking at ways to target discounts to those segments of the Washington, D.C. community who—if sufficiently motivated—will come to the theatre. To make this work financially, we'll have to place additional emphasis on development of grants and contributions in order to broaden our base of support in the community."

Because Arena Stage and most other theatres offer a limited number of substantially discounted tickets to special groups—senior citizens, students, the handicapped—it is still possible to attend regular performances for as little as $3. Regular-price subscribers, however, remain the majority of the audience.

"We've seen some price resistance from our subscribers," observes managing director Alison Harris of the McCarter Theatre Company in Princeton, N.J., "but not with the single-ticket buyer. The couple out for a Saturday night generally wants the best seats available, and cost is not a factor. In our subscriber audience, however, the pattern is different. It's the preview series--which are our lowest-priced tickets—that sell out first. Friday and Saturday night subscription series don't do nearly as well."

While ticket prices are reflected in buying habits, according to Harris, they also have influenced the audience profile. "Overall, our drama audience is older, well educated, affluent and professionally oriented. The majority is between 35 and 55 years old, three-quarters have no children under the age of 18, and 80 percent hold graduate degrees. Our dance audience, on the other hand, is considerably younger and more diverse. There is an entire generation out there," she concludes, "which the theatre has lost to film and television."

While ticket-pricing policies have been influenced by ongoing increases in expenses, most nonprofit theatre companies are still successfully balancing between audience expansion and the threshold of price resistance. In 1985, sample theatres played to more than 5.2 million admissions—a five-year high. Two-thirds of the theatres saw increases in the number of subscribers for the 1984-85 season, as the average mainstage subscriber base grew to 13,126—more than 6 percent above 1984's average. Subscribers now account for 58 percent of capacity. In several cases, the gains reflect a change in marketing strategies.

Over the past several seasons, direct-mail subscription brochures have become less effective, as the profusion of direct-mail has inundated the average patron with pitches for everything from designer cookware to life insurance. Increasingly, arts organizations are turning to telemarketing, which is proving both more cost-effective and reliable.

"Telemarketing is *the* technique for the '80s," claims Mark Taper Forum audience development director Robert Schlosser. "We've found it so effective that we now have a dozen callers working in-house 52 weeks a year. Last year, we doubled the number of new subscribers, and our telemarketing response is five times greater than our direct-mail efforts. The savings in both time and money are extraordinary."

Total paid capacity for all resident events was nearly 70 percent during the 1984-85 season, as sample theatres presented an average of 265 performances of eight mainstage productions, as well as nine ancillary offerings over an average playing season of 37 weeks. When both ancillary and touring activities are included, the average theatre presented 392 performances during the 1984-85 season.

Endowment Funds

One of the few promising developments in the earnings equation over the past five years has been the establishment of endowment funds. While many of the larger symphony orchestras, opera companies, museums and other established cultural institutions have maintained endowment funds for many years, the idea is relatively new for the nonprofit theatre. Although the portion of the season's expenses covered by endowment proceeds hovers under one percent, considerable progress has been made over the past five years in both the number and size of theatre endowments.

Much of the success lies, at least in the experience of Arena Stage development director Elspeth Udvarhelyi, in the approach. "Modern technology enables us to know more about our donors, and we can now approach them in a much more sophisticated way." Computers, she notes, have changed the way in which endowment gifts are solicited. "The generic 'Dear Friend' letter is obso-

lete. Now, people are flattered by the care and the boldness of our approach, which includes customized computer-generated letters, as well as personal calls from staff or volunteers armed with considerable information about the donors' contribution histories and their ability to give. We're still neophytes with computers," Udvarhelyi concludes, "but it's already making a big difference." Arena's $6 million endowment campaign, launched in May of 1984, is now over the $5 million mark, and Udvarhelyi expects the goal will be reached by June.

While much has been done to develop endowments, there is a long way to go before these funds have any widespread impact on annual operating expenses. As many companies work to build funds with significant earnings potential, lower interest rates, pledges spread out over several years and the necessity of using a portion of the early annual earnings to offset the considerable fund-raising costs of an endowment drive are all limiting the growth rate of endowment portfolios.

In 1981, only 10 of the 37 sample theatres had established endowment funds. Totaling barely $7.5 million, the median principal was only $296,000. By 1985, 20 of the 37 theatres had established endowment funds (including four launched this past season) and together these funds totaled $27.5 million. Only nine theatres are yet realizing benefits and applying interest earnings to operating expenses, but the median principal has grown to $580,000, as individual endowment funds now range from $11,000 to $5.7 million.

In nonprofit endowment planning, a rule-of-thumb advocated by some fund-raising and philanthropic experts is that financial security depends on amassing endowment funds equal to at least one year's operating expenses. The 37 sample group theatres have collectively raised just one-quarter of the prescribed amount, and are still far from meeting long-term goals, but major efforts during 1985 at Arena Stage, Actors Theatre of Louisville, the Alley Theatre, Center Stage and the Long Wharf Theatre have helped to improve the picture.

Two of the sample theatres did report endowment funds equal to their 1985 operating expenses, proving that such efforts can be successful. But significant endowments are still seen primarily at large-budget theatres, despite the improvement in the overall endowment fund picture. Two-thirds of the theatres with budgets over $3 million reported endowment funds; of theatres with budgets under $1 million, only one in ten had yet succeeded in establishing an endowment. For this group of smaller theatres, the funds were also still quite modest.

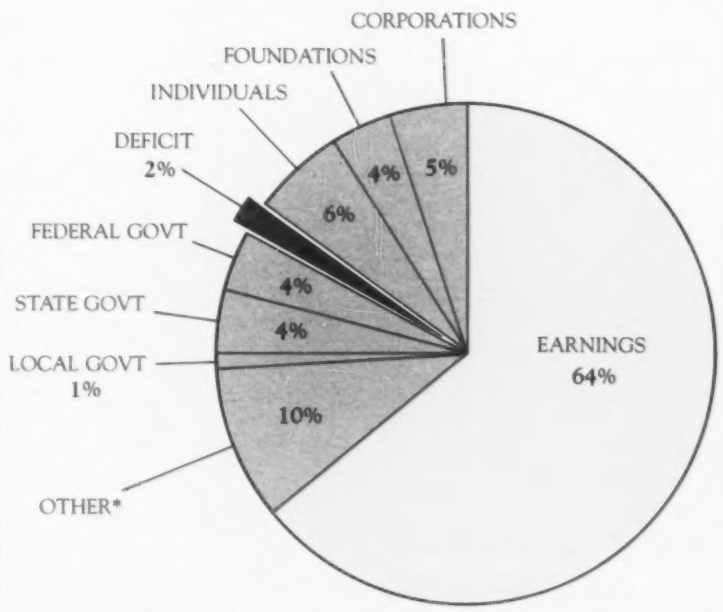
Other Earnings

Earnings from all other sources—including touring fees, educational program income, interest and dividends, royalties, and proceeds from concessions, advertising and facility rental—covered just under 12 percent of all expenses during each of the past two seasons.

Despite a rise in touring income, there was, according to the survey, a continuing decline in the amount of touring activity. Only five sample theatres toured outside their home states during 1985, and only one toured internationally. Over the five years, the number of productions and performances on tour has fallen by 20 percent, and the total touring audience served in communities outside the theatres' home bases has decreased by 42 percent.

1985 INCOME AS A PERCENT OF EXPENSES

37 Sample Theatres



*includes fund-raising events, UAF, in-kind services and miscellaneous contributions

Income from educational programs has leveled off, and only 11 of the 37 theatres reported outreach activity in 1985, as public funds from federal, state and local governments, which have traditionally supported such ancillary activities, have generally declined.

Interest and dividend income, generated primarily by short-term investment of subscription income early in the season, has been influenced by lower interest rates. As a result, such income has grown only marginally over the five years.

Individual theatres reported little income in the form of royalties for new works they developed; such windfalls received in previous seasons from transfers of highly successful productions to the commercial arena have, for the time being, virtually dried up.

EARNED INCOME

37 Sample Theatres

In thousand $	1981	1982	1983	1984	1985
Box Office	31,690	37,168	45,414	50,634	56,619
Touring	2,872	2,066	2,159	2,114	2,450
Booked-in Events	2,117	1,407	2,020	1,715	1,930
Educational Programs	1,456	1,519	1,683	1,923	1,955
Interest & Dividends	1,557	1,959	1,749	1,671	1,833
Endowment Income	526	880	939	900	828
Royalty Income	590	418	193	250	193
Concession/Advertising & Rental	2,465	2,565	2,490	3,064	3,457
All Other	648	1,991	1,515	2,936	1,289
Total	43,921	49,973	58,162	65,207	70,554

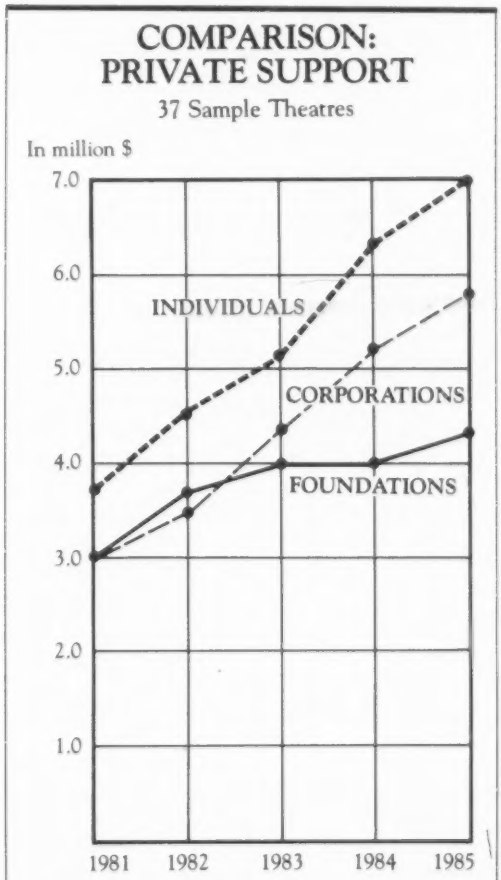
"There is an entire generation which the theatre has lost to film and television."

–Alison Harris

While earnings and expenses for the 37 sample theatres have both increased by 61 percent over the past five years, contributions have grown by only 51 percent. For the first time, however, the growth in grants and contributions increased faster than either earnings or expenses. Contributed income grew by nearly 13 percent in 1985, but the gain was not enough to close the earnings gap, which had grown by 15 percent. Much of the increase in total contributions is the result of greater giving by individual donors.

Individual Giving

"Clearly, individuals remain the backbone of American philanthropy, which is the largest and most vibrant philanthropic effort in the world," observes Richard W. Lyman, president of the Rockefeller Foundation and chairman of Independent Sector, a Washington-based advocacy group for nonprofits. "These individuals sustain the most remarkable system for mobilizing private energies for the achievement of public purposes that the world has ever known. People like to think of this as a nation of neighbors, given to mutual support in times of need or trouble. Not for nothing does President Reagan evoke folk memories of barn raisings and the volunteer fire department."



Percent Change	81–82	82–83	83–84	84–85
Corporations	20.5	20.3	21.6	11.3
Foundations	21.2	13.6	–5.0	7.3
Individuals	20.4	9.5	24.7	11.0

Since the beginning of legislative encouragement for charity in 1917, the average individual has played the major role in American philanthropy. The American Association of Fund-Raising Counsel estimates that nearly 90 percent of all giving in the United States during 1984 came from individuals in the form of outright contributions or bequests. Although American philanthropy surpassed the $74 billion mark in 1984, less than 5 percent of the total, according to AAFRC, was distributed to organizations in the arts and humanities.

Gifts to the 37 sample theatres from more than 76,500 people produced an 11 percent increase in individual contributions during 1985. While not as dramatic as the gain of almost 25 percent witnessed the year before, individual gifts grew faster than expenses and remained the largest single source of contributed income. The average individual contribution was $91.50, a respectable gain over the previous season's average of $87.05.

"Individual giving continues to grow," believes Cassie Solomon, development director of San Diego's Old Globe Theatre, "because as we've become more sophisticated, we've created more opportunities to give." As the pressure of securing the development dollar intensifies, Solomon notes, "the total really is greater than the sum of its parts. We're using direct appeal letters, invoice add-ons, face-to-face solicitations, special events—a wide variety of choice which allows donors to select not only the amounts of their gifts, but the manner in which they give."

Funds derived from special events such as casino nights, gala auctions and a host of other creative approaches also added to the season's resources. Income was nearly 19 percent ahead of 1984 levels, as three-quarters of the sample theatres engaged in producing fund-raising events.

"Special events are not a substitute for a solid donor base," warns Solomon. "But once you have an established base of annual donors, special events are a great way to secure additional contributions, expand your visibility in the community and—this is important—give hundreds of volunteers something significant to be responsible for beyond the wonderful things they do regularly." During 1985, the Old Globe's 50th Anniversary Gala, organized largely by volunteers, produced more than $100,000 for the theatre.

Over the past five seasons, special events income has grown by 82 percent, and when added to outright contributions, boosts the portion of expenses covered by gifts from individuals to nearly 9 percent.

Corporate Support

As theatres have taken an increasingly professional approach to the development of local and national business support, corporate giving has become considerably more important over the past five years. Corporate contributions increased more than 11 percent during 1985, and altogether more than 4,000 gifts were made to sample theatres. The increase in corporate support was, however, the smallest in the past five years. Between 1981 and 1984, contributions from businesses were growing by more than 20 percent annually as aggressive development staffs had begun to mine what had until then been a largely untapped resource for theatres.

"We're only nine years old," notes Roche Schulfer, speaking of the Goodman Theatre's corporate campaign efforts, "and we haven't come close to

tapping what's ultimately available. Our corporate drive is okay right now—it took a dip last year—but we've been hit hard by the wave of corporate mergers and acquisitions. Companies which have historically been supportive literally aren't there anymore. Our major support from Beatrice Foods looks like history at this point." Beatrice became a privately held company following a leveraged buyout earlier this year.

The impact of corporate takeovers has been felt at the other theatres, as well. "We've seen some excellent prospects simply evaporate," reports M. Edgar Rosenblum, executive director of the Long Wharf Theatre in New Haven, Conn., "and our contact at the corporation often disappears as well. The economy is going through such turmoil that most reorganized companies are being very cautious—they might not all be reducing support but, in most instances, they aren't increasing it either."

Individual corporate gifts are relatively small compared to grants made by foundations and government agencies, and it takes several of them to realize a substantial aggregate. In 1985 the average corporate gift rose to $1,425—an increase of $245 over 1984, but below averages reported in 1981-83. Sample theatres received an average of 111 such gifts during 1985, but fewer than one in ten were for $2,500 or more.

American Repertory Theatre managing director Robert J. Orchard sees the same pattern at his theatre's Cambridge, Mass. home: "The future of corporate contributions is very troubling. We're expending more and more effort with less and less return. We've actually been more successful with corporate marketing and advertising departments, rather than with contributions offices. The problem for us is how to merge what we want to do programmatically with what a prospective corporate donor wants to buy."

As development staffs have mobilized to secure a larger number of small gifts available from the corporate sector, innovative approaches have helped to increase the cost-effectiveness of fund-raising efforts. One particularly successful approach—which accounted for much of the 1985 increase—is the Guthrie Theater's telephone blitz targeting the Minnesota business community.

According to Guthrie managing director Donald Schoenbaum, "It takes a great deal of work, but a well-organized and carefully monitored telephone campaign can produce a very large number of small gifts. In the end, it adds up to a signficant amount of money we didn't have before. After three years, though, the response is starting to thin out. We'll have to come up with a new approach within a year or two."

Recent nationwide findings released by three major study groups—the Foundation Center, the Conference Board and the Council for Financial Aid to Education—reinforce the belief that future growth in corporate contributions may be limited. Citing declining business volumes and lower pretax profits, the studies project a downturn in corporate support to nonprofit organizations through the end of the 1980s.

Although the future growth of corporate support to the nonprofit theatre is difficult to gauge, recent success has made contributions from the business community second in volume only to gifts from individuals. Just five years ago, corporate giving held next to last place among the five major funding sources.

CONTRIBUTED INCOME

37 Sample Theatres

In thousand $	1981	1982	1983	1984	1985
Federal	4,672	3,872	3,900	4,309	4,707
State	2,785	4,234	4,216	4,611	4,696
Local	529	758	802	592	575
Individuals	3,834	4,618	5,059	6,307	7,003
Foundations	3,048	3,693	4,196	3,986	4,279
Corporations	2,961	3,567	4,291	5,216	5,805
United Arts Funds	3,087	3,383	3,672	4,113	5,381
Fund-raising Events/Guilds	1,337	1,279	1,988	2,050	2,431
All Other	3,006	2,487	2,368	2,731	3,320
TOTAL	25,259	27,891	30,492	33,915	38,197

While most corporate giving takes place on the local rather than national level, the Dayton Hudson Corporation, Citibank, N.A., Atlantic Richfield and Exxon led nationwide funding to sample theatres during 1985. Major local gifts of $100,000 or more were also reported from the Humana Corporation (Actors Theatre of Louisville), Blount, Incorporated (Alabama Shakespeare Festival) and the Sara Lee Corporation (Goodman Theatre).

Foundations

During the 1960s and 1970s, the Ford Foundation led the nation's private foundations in making extraordinary long-term commitments to cultural organizations in an effort to see the performing arts gain a secure foothold in the United States. By the early 1980s, however, most foundations had begun diverting their attention to other pressing social and educational needs formerly met primarily by the federal government.

Foundation giving, as a result, has increased barely 40 percent over the past five years, well behind the 61 percent increase in expenses. Although foundation support increased more than 7 percent for sample theatres during 1985, foundations fell to last place among the five major funding sources.

Receiving a larger number of smaller gifts, sample theatres reported a 3 percent decline in the average foundation gift during 1985, to $8,858. While the average gift is considerably smaller than in the heyday of foundation giving to the arts, it is still six times the size of the average corporate contribution, and the foundation arena remains a limited, but cost-effective funding target.

The Mellon and Shubert foundations led giving to sample theatres during 1985. In addition, local gifts of $100,000 or more were made by the Mabel Pew Myrin Trust, as well as the Cleveland, Eucalyptus, Bush, and Cafritz foundations.

United Arts Funds

United arts funds, combined campaigns which raise funds from corporations, foundations and individuals, are also playing a larger role in the contributions picture.

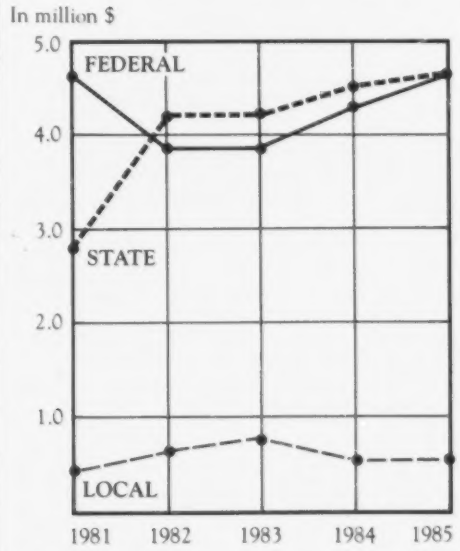
Fewer than one-third of the TCG sample theatres benefit from UAF programs, however, and more than half of all 1985 UAF income reported was received by one theatre. Nevertheless, total monies received from local united fund-raising efforts by these few theatres increased 30 percent.

"By the end of the decade, we may see a number of theatres cease operation."

—William P. Wingate

COMPARISON: PUBLIC SUPPORT

37 Sample Theatres



Percent Change	81–82	82–83	83–84	84–85
Federal	−17.1	.7	10.5	9.2
State	52.0	−.4	9.4	1.9
Local	43.2	5.8	−26.2	−3.0

Federal Government

Since 1981, federal funding to sample theatres, primarily from the National Endowment for the Arts, has grown by less than one percent, in spite of the more than 60 percent increase in theatres' expenses.

Although income from NEA programs did show an increase of almost 10 percent during 1985, helping to offset the decrease suffered in 1984, this year's gain still failed to match the rate of increase in season expenses.

Five years ago, federal funds were the leading source of contributed income for sample theatres. In 1985—including Challenge grants made to four sample theatres—federal funds covered just over 4 percent of expenses, revealing a significant deterioration in NEA support since 1981, when federal funding covered nearly 7 percent of all expenses. A total of 304 Professional Companies grants were made that year, as the National Endowment for the Arts exerted its leveraging power throughout the nonprofit theatre field. Since that time, an extensive re-shaping of NEA funding priorities and a constriction of available funds have altered the way in which the agency's Theatre Program affects the field. While sample theatre findings suggest a picture of decline since 1981, the situation in the field at large is considerably worse.

During both 1984 and 1985, the 37 sample theatres received over half of all monies distributed through the Theatre Program's Professional Companies category, the major mechanism through which federal support reaches theatres. In both years, the remaining funds were spread among an average of 150 other companies, generally in considerably smaller grant amounts. At least 120 other companies which had received Endowment support in 1981 or 1982 have now been eliminated from the grantee roster altogether.

In general, theatres in the three largest budget groups studied in the overall survey received grants representing larger percentages of their expenses, while those theatres in the smallest budget group ($500,000 to $1 million) received the least support, equal to only 2.5 percent of their expenses.

As the Theatre Program has altered its approach to provide a greater measure of support to fewer companies, the portion of the Theatre Program budget devoted to company support has also declined, from a high of 80 percent in 1982 to only 68 percent in 1985. This shift has been precipitated by a series of special agency-wide funding initiatives begun in 1984—notably the Theatre Program's Ongoing Ensembles grants, which make large, long-term commitments to a small number of theatres to build resident companies.

Having recently seen $7 million of its 1986 budget "sequestered" as a result of the Gramm-Rudman-Hollings deficit reduction act, and with President Reagan's 1987 budget calling for another $13 million cut, the prospect for future growth in NEA support to nonprofit theatres past the 1985-86 season does not look encouraging.

"It's a bit like trying to read tea leaves," admits NEA Theatre Program director Edward A. Martenson. "Whether the Gramm-Rudman-Hollings deficit reduction legislation will lead to reduced funds in fiscal 1987 remains to be seen. The Theatre Overview Panel will soon be meeting to establish priorities for the program, and the number of companies funded, as well as the average size of the grant, will likely depend on the amount of money available. While our commitment to theatres currently participating in the Ongoing Ensembles Program will probably be maintained, it's difficult to say whether—or how many—new Ongoing Ensembles grants will be made."

State and Local Governments

In three of the past five years, state government funding to sample theatres has met or exceeded federal funding. Following much larger gains in 1982 and 1984, total state funding to sample theatres grew by only 2 percent during 1985. State funding—which includes state arts agency appropriations as well as special line item grants in a number of states—occupied fourth place in the contributed income hierarchy, just behind federal support.

The limited growth in state funding to sample theatres during 1985 is inexplicably at odds with an increase of nearly 21 percent in total 1985 state arts agency appropriations reported by the National Assembly of State Arts Agencies. Some improvement may be seen during 1986, however, as NASAA reports appropriations are to increase again, this time by more than 25 percent.

Total state support to sample theatres has increased 69 percent since 1981, a sharp contrast with federal funding growth of less than one percent over the same period. State arts funding has tended to be more widespread than its federal counterpart and, as a result, is proportionally of greater importance to smaller theatres.

In 1985, those theatres in the overall survey's

"We're concerned that our ticket prices are limiting the scope of our audience."

—William Stewart

smallest budget group ($500,000 to $1 million) received state funding equal to more than 9 percent of their expenses, while the largest theatres covered less than 2 percent of expenses with state funds.

The future of state funding—as well as city and county government support—may well hang in the balance with other domestic spending programs affected by federal priorities. The federal government's General Revenue Sharing Program, which began under President Nixon in 1972, is set to expire at the end of September. Should the program be eliminated, financial pressures on state and local governments may indirectly force curtailment of their arts support. Throughout his Presidency, Ronald Reagan has advocated elimination of revenue sharing, and given the deficit reductions which must be incorporated into the 1987-91 federal budgets, the program may not survive.

Only half of the sample theatres receive any city or county government support. For those that do, such funds have grown less than 9 percent since 1981. In 1985, city and county support declined 3 percent, following a major 26 percent decrease the previous season. Significant support was provided to sample theatres during 1985, however, by the cities of Baltimore, Houston, Anchorage and Miami.

After earnings, just over 36 percent of all expenses remained to be covered by contributions during 1985, but the gain of nearly 13 percent in total contributed income was not enough to close the gap. At the end of the season, the 37 sample theatres fell 2 percent short, posting a collective operating fund deficit of $1.7 million—twice that seen a year earlier. With nearly two-thirds of the sample theatres ending with a shortfall, the situation represented a major reversal from 1981, when the sample theatres posted a collective *surplus* of $415,000.

Leaders of the nonprofit theatre movement spent the '60s and '70s planting and nurturing theatres as community-based institutions in dozens of cities. By the 1980-81 season, when theatres had taken root across the country, there was a small margin of money in the bank and inflation was on the way down. The theatre seemed poised to tackle the next step in its evolution, which would include an expansion in its repertoire, greater opportunities for artists in a variety of settings and challenging—but attainable—fund-raising goals which would promote a deeper dialogue with an ever-more diverse audience.

But with the advent of the Reagan Administration's first budget in 1981, a procession of staggering changes in the public and private sectors would radically alter the finances of the nonprofit theatre movement for the next several seasons. These changes continue to roll over one another, compounding fund-raising problems, straining artistic resources and taxing institutional abilities from season to season.

"The vitality of our artists is directly related to the breadth of our audience," concludes managing director David Hawkanson of Connecticut's Hartford Stage Company. "Intensified pressure to increase earnings has led inevitably to the escalation of ticket prices. We must now target those few areas—endowment funds, individual donors and corporate underwriting—where it is still possible to significantly increase contributed income. Otherwise, our audience will become more homogenous, and their interests will move in the opposite direction of those of our artists. If that happens, our artists will seek other avenues to explore, and the institutional theatre will become increasingly irrelevant to the spirit of the art form."

TOTAL INCOME AND EXPENSES

37 Sample Theatres

In thousand $	1981	1982	1983	1984	1985
Earned Income	43,921	49,973	58,162	65,207	70,554
Total Expenses	68,765	77,718	89,323	99,852	110,468
Earnings Gap	-24,844	-27,745	-31,161	-34,645	-39,914
Contributed Income	25,259	27,891	30,492	33,915	38,197
Total Income	69,180	77,864	88,654	99,122	108,751
Surplus/Deficit	415	146	-669	-730	-1,717

More than 60 percent of all theatre expenses is devoted to compensation of artists and other personnel. The labor-intensive character of the art form—which is essentially hand-crafted—has remained unchanged. As new union contracts with salary increases for directors, actors and stage managers take effect this season, the portion of available resources devoted to personnel costs is likely to increase. A concommitant increase in total income will be required to offset these increased expenses. Despite the recent progress made in overall compensation levels, nonprofit theatre salaries still lag behind those in other sectors of the performing arts. Additional growth is still needed if the nonprofit theatre is to attract and hold the best available talent.

Today, nonprofit theatres are poised on a tightrope between artistic vitality and growing deficits. The new federal austerity set to affect every segment of the economy, spiraling nonprofit postal rates and the most far-reaching tax reform legislation in history pending before Congress will make it difficult for nonprofit theatre institutions to meet the agenda of their artistic goals by the end of the 1980s. Rather, the focus of their energies is shifting more and more each year to survival. If the remainder of the decade is anything like the past five years, the nonprofit professional theatre movement may—of necessity—undergo a radical re-shaping of its goals and operations. □

TCG has conducted national surveys annually since 1973. Under the direction of Robert Holley, research for Theatre Facts 85 *was compiled by Jeffrey Sturgeon. Gregory Shanck and Bruce Makous of the TCG Management Services staff assisted with the project. Data from participating sample theatres was verified against certified financial audits.*

1985 Sample Group Theatres

A Contemporary Theatre, Actors Theatre of Louisville, Alaska Repertory Theatre, Alley Theatre, American Repertory Theatre, Arena Stage, Arizona Theatre Company, Asolo State Theater, Berkeley Repertory Theatre, Center Stage, Cincinnati Playhouse in the Park, Circle in the Square, Circle Repertory Company, The Cleveland Play House, Coconut Grove Playhouse, George Street Playhouse, Goodman Theatre, Great Lakes Theatre Festival, Guthrie Theater, Hartford Stage Company, Long Wharf Theatre, Mark Taper Forum, McCarter Theatre Company, Milwaukee Repertory Theater, Old Globe Theatre, Pennsylvania Stage Company, Philadelphia Drama Guild, Pittsburgh Public Theater, Repertory Theatre of St. Louis, Seattle Repertory Theatre, Shakespeare Theatre at the Folger, South Coast Repertory, StageWest, Syracuse Stage, Trinity Repertory Company, TheatreVirginia, Yale Repertory Theatre.